Australian Masters Corporate Bond Fund No 3 Limited
(ACN 134 738 524)
Notice of Annual General Meeting

Notice is given that the Annual General Meeting of members of Australian Masters Corporate Bond Fund No 3 Limited (**Company**) will be held as follows:

Date:	**Thursday 24 November 2011**
Time:	**10.50 am**
Venue:	Dixon Advisory Level 15, 100 Pacific Highway North Sydney NSW

Ordinary Business

Financial Statements and Reports

To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditor for the financial year ended 30 June 2011.

1. Re-election of Director – Alex MacLachlan

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Mr Alex MacLachlan, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

2. Re-election of Director – Chris Brown

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Mr Chris Brown, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

Special Business

3. Fourth Return of Capital

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of section 256C(1) of the Corporations Act 2001 (Cth) and for all other purposes, the reduction of the share capital of the Company by an amount up to the aggregate of:

(a) *$5,965,130; and*

(b) that part of the capital reductions previously approved for payment to Shareholders at the Annual General Meeting held on 8 October 2010 that was not in fact returned to Shareholders in accordance with those Resolutions,

applied equally against each fully paid ordinary share on issue in the Company on the Fourth Record Date is approved."

4. Final Return of Capital

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of section 256C(1) of the Corporations Act 2001 (Cth) and for all other purposes, a reduction of the share capital of the Company by an amount up to the aggregate of:

(a) $12,431,304; and

(b) that part of the capital reduction approved for payment to Shareholders under Resolution 3 that was not in fact returned to Shareholders in accordance with that Resolution (if any),

applied equally against each fully paid ordinary share on issue in the Company on the Final Record Date is approved."

Other Information

An Explanatory Memorandum accompanies and forms part of this Notice of Annual General Meeting.

All members should read the Explanatory Memorandum carefully and in its entirety. Members who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

Proxies

A member entitled to attend and vote at this Meeting is entitled to appoint not more than 2 proxies to attend and vote in his/her stead.

A proxy need not be a member of the Company.

If the member appoints 2 proxies, the member may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the votes. If the specified proportion or number of votes exceed that which the member is entitled to, each proxy may exercise half of the member's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

Proxies must be:

(a) lodged by posting them or delivering them by hand to the address specified below;

(b) received at the fax number specified below; or

(c) registered online at **www.boardroomlimited.com.au/vote/amcbf3agm2011**;

not later than 48 hours before the Meeting i.e. 10.50 am (Sydney time) on 22 November 2011.

Address: Level 7, 207 Kent Street, Sydney NSW 2000

Fax number: (02) 9290 9655

A form of proxy is provided with this Notice.

Entitlement to Vote

In accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all shares in the capital of the Company will be taken to be held by the persons who held them as registered holders at 7.00pm on 22 November 2011. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

By order of the Board

Hannah Chan
Company Secretary
18 October 2011

Australian Masters Corporate Bond Fund No 3 Limited
(ACN 134 738 524)
Explanatory Memorandum

This Explanatory Memorandum relates to the Annual General Meeting of the Company to be held at Level 15, 100 Pacific Highway, North Sydney on **Thursday 24 November 2011** at **10.50 am**.

Financial Report and Reports of the Directors and Auditors

This item allows members the opportunity to consider the Financial Report, Directors' Report and Auditor's Report of the Company. Under Section 317 of the Corporations Act the Company is required to lay these 3 reports that together comprise the Company's annual report before its members at its Annual General Meeting.

Resolutions 1 – 2. Re-election of Directors

Under Rule 6.7 of the Company's Constitution one third of the Company's Directors or the number nearest to one-third of the Company's longest serving Directors since the last election or re-election, and not including a Director appointed by the remaining Directors either to fill a casual vacancy or as an addition to the existing Directors, must retire unless re-elected. Each retiring Director is eligible for re-election in accordance with ASX Listing Rules and the Company's Constitution.

Resolutions 1 and 2 provide for the re-election of Alex MacLachlan and Chris Brown as Directors of the Company in accordance with the Company's Constitution. See below for details of their background.

Alex MacLachlan

Alex MacLachlan is the Managing Director of Global Resource Masters Fund Limited, a director of the Australian Masters Yield Fund Series, the Australian Masters Corporate Bond Fund Series, Asian Masters Fund Limited, a director of the Responsible Entity for the US Masters Residential Property Fund Limited and an independent director of van Eyk Three Pillars Limited.

Before joining Dixon Advisory, Alex was an investment banker specialising in the natural resources sector, most recently serving as Head of Energy, Australasia, for UBS AG in Sydney and prior to that as an investment banker at Credit Suisse First Boston. During his career as an investment banker, Alex advised many of Australia's and the world's leading natural resources companies, working on more than $100 billion in announced mergers and acquisitions and capital markets transactions for more than 30 leading Australian and international natural resources companies.

Before specialising in natural resources investment banking, Alex worked in the Japanese Government Bond derivatives markets in London, New York and Sydney.

Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania.

Chris Brown

Chris Brown is a director of the Australian Masters Yield Fund Series, the Australian Masters Corporate Bond Fund Series, a director of the Responsible Entity for the US Masters Residential Property Fund Limited and is an independent director of van Eyk Three Pillars Limited.

Prior to joining Dixon Advisory, Chris was an Executive Director at UBS AG in Sydney. Over his 8 years at UBS, he provided capital markets and mergers & acquisitions advice to many different public and private companies in Australia and overseas. Chris specialised in providing this advice to industrial, utility, infrastructure, property and financial companies. Chris spent several years in the UBS Mergers & Acquisitions Group in New York working on transactions in chemicals, healthcare, consumer products, media, telecoms, technology, insurance and utilities. Before joining UBS, Chris also worked in the Investment Banking division of ABN AMRO where he focused on mergers and acquisitions along with capital markets advice to companies in the Australian property sector.

Before his career in investment banking, Chris worked for a Sydney-based property funds management company and a chemical engineering and design company. Chris has a Bachelor of Chemical Engineering with 1st class honours and a Bachelor of Commerce both from Sydney University.

Resolutions 3 and 4. Returns of Capital to Shareholders

Resolutions 3 and 4 authorise the Company to undertake two reductions of capital to return up to a maximum of $18,396,434 to Shareholders over the period to December 2011, together with that part of the capital reductions previously approved for payment to Shareholders at the Annual General Meeting held on 8 October 2010 that was not in fact returned to Shareholders in accordance with those Resolutions (**Previous Capital Returns**).

Cash to fund these returns of capital will be drawn from redemption on maturity or the proceeds of sale of corporate bonds held within the Company's portfolio over the period to December 2011 (**Bonds**) as well as any residual capital retained by the Company.

The Resolutions

Resolution 3 seeks Shareholder approval pursuant to Section 256C(1) of the Corporations Act for a capital reduction and return to Shareholders of up to a maximum of $5,965,130 together with any unpaid Previous Capital Returns. If the maximum return is undertaken, this will represent a return of approximately $14.39 per Share (based on the capital structure as at the date of this Explanatory Memorandum) (**Fourth Capital Return**) excluding any amount attributable to Previous Capital Returns.

Resolutions 4 seeks Shareholder approval pursuant to Section 256C(1) of the Corporations Act for authorisation to effect a further separate capital reduction and return to Shareholders of up to a maximum of $12,431,304 together with any shortfall in payment of the Fourth Capital Return. If the maximum return is undertaken, this will represent a return of approximately $29.99 per Share (based on the capital structure as at the date of this Explanatory Memorandum) excluding any amount attributable to the Fourth Capital Return. This represents the portion of the redemption monies received on maturity of the Bonds in the period from 23 September 2011 to 5 December 2011 that reflects the consideration paid to acquire those Bonds (**Final Capital Return**) as well as any residual capital retained by the Company;

For the purposes of the Corporations Act, the proposed Fourth Capital Return and Final Capital Return (together **Capital Returns**) are treated as "equal" reductions of capital and require approval by ordinary resolutions of Shareholders in general meeting.

Reasons for the Capital Returns

Fourth Capital Return

At the Annual General Meeting held on 8 October 2010, the Company received Shareholder approval to return a maximum of $22,687,735 in capital from the proceeds of bonds which matured or were sold over the period to July 2011. Since then a number of bonds held within the Company's portfolio have matured. In September 2011, a corporate bond issued by Transurban as well as two corporate bonds issued by HSBC matured in accordance with their terms. In addition, a corporate bond issued by Goldman Sachs was also redeemed in October 2011 in accordance with its terms. The Company paid $1,880,320 in consideration for the bond issued by Transurban, $1,433,075 for the bond issued by Goldman Sachs and $4,084,810 for the two bonds issued by HSBC.

Consistent with disclosures in the Information Memorandum and Prospectus, it is proposed that, up to a maximum of $5,965,130 will be paid from these funds to Shareholders by way of a return of capital (Fourth Capital Return). It is proposed that the additional $1,433,075 representing the proceeds received from the redemption of the Goldman Sachs bond, form part of the Final Capital Return.

Final Capital Return

Over the course of the next 2 months, the remaining Bonds in the Company's portfolio will mature in accordance with their terms. Details of the Bonds, the consideration paid to acquire them, their face value, coupon rate and maturity dates are set out in the table below:

Issuer	Maturity of Bond	Consideration Paid to Acquire	Face Value	Coupon as % of Face Value
GE Finance Australia	15/11/11	$6,896,537	$7,320,000	6.50%
AMEX	05/12/11	$3,992,450	$4,500,000	6.50%

Consistent with disclosures in the Information Memorandum and Prospectus, the Company proposes to return to Shareholders as much as possible of the consideration paid to acquire the Bonds that mature and are redeemed in each of the relevant periods, as well as any residual capital retained by the Company as a capital return.

Based on the scheduled maturity dates for the Bonds, the maximum amount that may be distributed to Shareholders (excluding any previously unpaid amounts attributable to either the Fourth Capital Return or Previous Capital Returns) under each of the Capital Returns is set out below:

Capital Return	Maturity Period	Maximum Amount to be Returned
Fourth Capital Return	To 22 September 2011	$5,965,130
Final Capital Return	23 September 2011 to 5 December 2011	$12,431,304

Following the Final Capital Return, the net issued capital per Share of the Company will have been repaid in full. It is anticipated that the Directors will call a further meeting of Shareholders post the Final Capital Return. At this meeting, Shareholders will be asked to vote on a resolution to approve the voluntary winding up of the Company consistent with the information contained in both the Information Memorandum and Prospectus.

The precise amount to be returned to Shareholders under the Capital Returns cannot be specified at this time for the following reasons:

1. Payment of a Capital Return will be dependent on receipt of redemption monies on maturity of Bonds. The Company has no reason to believe that any of the issuers of the Bonds will default in their redemption obligations. However, if default occurs, the Company will not receive the funds necessary to effect the Capital Return.

2. The Corporations Act provides that a capital return may only be undertaken with the prior approval of Shareholders if the return:

   (a) is fair and reasonable to Shareholders of the Company as a whole; and

   (b) the return does not materially prejudice the ability of the Company to pay its creditors.

   The funds expected to be received on maturity of the Bonds may be required to meet ongoing costs of the Company. These costs may include tax payable on interest or capital gains received in respect of the Bonds as well as ongoing management fees and operating costs. The Company may need to retain some funds received on redemption of Bonds to meet these ongoing costs.

In both circumstances, unless appropriate cash reserves are retained, the Company would be required to liquidate other Bonds which, if held to maturity, would be expected to provide a better financial return for the Company. To do so would not, in the view of the Directors, be fair and reasonable to Shareholders as a whole.

Accordingly, the amounts set out in the resolutions represent the maximum amount that the Company may return to Shareholders under each of the Capital Returns excluding any amounts attributable to Previous Capital Returns or the Fourth Capital Return. The Company will seek to return as much of the cash authorised to be returned under the Resolutions as possible, having regard to the above constraints.

If the Company is unable for any reason to pay the maximum amount of the capital return approved by Shareholders, it may pay that sum as part of a subsequent Capital Return.

The Board proposes to announce the actual amount to be returned to Shareholders under each of the Capital Returns no later than 7 business days prior to the relevant record date.

Shareholder approval for the Final Capital Return is sought at this Meeting for administrative convenience and to maximise the returns available to Shareholders.

Payment of dividends

The Directors anticipate that interest income, together with the profit realised on maturity of the Bonds, net of taxes and expenses will be distributed to Shareholders by way of dividend. As a result of recent changes to the Corporations Act, these dividends need not be paid out of profits of the Company.

Who will participate in the Capital Returns?

Subject to Shareholder approval, the distribution resulting from the:

1. Fourth Capital Return will be made to Shareholders, pro rata to the number of Shares held by each Shareholder at the Fourth Record Date. This return will be paid on or around 9 December 2011;

2. Final Capital Return will be made to Shareholders, pro rata to the number of Shares held by each Shareholder at the Final Record Date. This return will be paid on or around 19 December 2011; and

If any of the Capital Returns are not approved, the excess cash will be retained by the Company or utilised as the Board considers appropriate.

Tax treatment of Capital Returns

The following is a broad outline of the tax consequences for Shareholders associated with the Capital Returns. This outline is not exhaustive of all possible income tax considerations that could apply to a particular Shareholder. There are a number of limitations to the outline including that:

1. it applies only to Shareholders who are Australian residents for income tax purposes. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, insurance organisations, superannuation funds, trusts or employees of the Company who acquired their Shares in respect of their employment;

2. it applies only where Shareholders hold their Shares on capital account. It does not apply where the Shares are held on revenue account (eg. shares held by Shareholders who trade in securities or hold Shares as trading stock); and

3. it is based on Australian tax law in effect at the date of this Explanatory Memorandum. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

The Company intends to structure the proposed Capital Returns so that each is treated as a return of capital, and not as a dividend, for income tax purposes. As discussed above, the proposed Capital Returns consist of the consideration paid for each Bond as they mature or are redeemed plus any residual capital retained by the Company. Profits made on Bonds acquired at a discount to face value will be paid out as dividends.

Shareholders may be liable to pay capital gains tax (**CGT**) in relation to the Capital Returns, however this will depend on Shareholders' individual circumstances. An outline of the potential CGT consequences for Shareholders is as follows:

1. if the amount of any of the Capital Returns is less than or equal to the Shareholder's CGT cost base of the Shares they hold, the CGT cost base will be reduced by the amount of that Capital Return, but it cannot be reduced below nil;

2. if a Capital Return is more than the Shareholder's CGT cost base, the CGT cost base will be reduced to nil, and the excess amount of the Capital Return will be included in the Shareholder's taxable income calculation as a capital gain; and

3. the capital gain can be treated as a discount capital gain where the Shares were purchased by the Shareholder at least 12 months prior to the payment of the Capital Return, and the other requirements of the discount capital gains provisions have been satisfied.

The Company and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Capital Returns or in respect of the taxation consequences themselves. All Shareholders should consult their own independent professional tax advisers regarding the tax consequences of the Capital Returns.

Effect on the Company

As at the date of this Notice, the Company had 414,573 Shares on issue. After each of the proposed Capital Returns, the number of Shares on issue will remain the same but the capital of the Company will be reduced by the relevant capital return.

The anticipated effect of the Capital Returns on the Company is illustrated in the unaudited pro forma balance sheets set out below. These pro forma balance sheets are based on the audited balance sheet for the Company as at 30 June 2011.

These tables are not consolidated pro forma balance sheets prepared in accordance with the Corporations Act, the Corporations Regulations 2001, Accounting Standards or any other mandatory financial reporting requirements in Australia. They are provided only to illustrate the anticipated impact on the Company of completion of the Capital Returns. The specific assumptions taken in preparing the tables are set out in the notes below the tables.

Illustrative pro forma balance sheet
$'000 unless otherwise stated

	Balance Sheet 30 June 2011	Pro forma balance sheet Fourth Capital Return	Pro forma balance sheet Final Capital Return
Assets	27,365	21,400	8,969
Liabilities	(7,061)	(7,061)	(7,061)
Net Assets	20,304	14,339	1,908
NTA Per Share ($)	**48.98**	**34.59**	**4.60**

1. The column headed "Balance Sheet 30 June 2011", comprises the audited balance sheet of the Company as at 30 June 2011.

2. The column headed "Pro forma balance sheet Fourth Capital Return", has been prepared as if the Fourth Capital Return of $5,965,130 had been completed on 30 June 2011.

3. The column headed "Pro forma balance sheet Final Capital Return", has been prepared as if the Company had completed the Fourth Capital Return of $5,965,130 and a further capital return of $12,431,304 as the Final Capital Return on 30 June 2011.

4. The above does not take into account any amounts payable under Previous Capital Returns which may form part of subsequent capital returns. As such, any outstanding amounts payable under Previous Capital Returns will further reduce the net assets of the company by the amount outstanding

5. All amounts assume that there are 414,573 Shares on issue being the number on issue on 30 June 2011.

6. The above table does not take into account future dividends. Future dividends will distribute the interest paid on the underlying Bonds and any profits made on Bonds purchased at a discount less any expenses and taxes of the Company.

7. The above assumes the Company had paid transaction costs associated with each Capital Return of approximately $2,500 on 30 June 2011 relating to legal and tax advice and registry fees.

The above table does not take into account dividends expected to be paid following 30 June 2011. Interest will continue to accrue and be paid on Bonds until they mature and are redeemed. Accordingly, the asset base of the Company will increase as interest payments are received after 30 June 2011 and will be reduced by any future dividend payments.

Under the management agreement between the Company and Dixon Advisory & Superannuation Services Limited, the Company pays a management fee of the equivalent of 0.35% per annum of the value of the Portfolio. This fee is payable in advance and calculated on the basis of the value of the Portfolio on 30 June each year. As a result of the Capital Returns, the management fee payable in respect of subsequent financial years will be reduced by an amount of 0.35% per annum of the amount of the Capital Returns.

As the management fee for the financial year ending 30 June 2012 is payable in advance, the Capital Returns will have no effect on the management fee payable by the Company in respect of the financial year ending 30 June 2012.

Trading in Shares

Shares were issued under the Prospectus at an issue price of $100.00 per Share. Official quotation of Shares on the ASX commenced 10 June 2010. The highest and lowest prices at which Shares have traded on the ASX between 10 June 2010 and 21 September 2011 were $105.00 (30 August 2010 and 4 October 2010) and $47.00 (11 August 2011) respectively. A total of 7,970 Shares have traded on the ASX in this period representing turnover of approximately 1.6% of the Company's total shares outstanding on an annualised basis. The Company publishes a monthly net asset backing of the Shares to assist Shareholders in valuing their investment.

Alternative return structures

The Directors consider the use of a capital return to be the most appropriate mechanism to return surplus capital to members for the following reasons:

(a) the capital return procedure was initially outlined to potential investors in the Prospectus and it was confirmed in the Information Memorandum. The Directors consider that Shareholders will have invested in the Company on the understanding that a series of capital returns would be proposed in the manner outlined in this Notice of Meeting and Explanatory Memorandum;

(b) the combination of the Capital Return and payment of a dividend provides the Company with the opportunity to make available the benefits of franking credits on dividends generated from the operations of the Company to the extent that they are available without adding to the income tax liability of Australian-resident shareholders receiving further cash from the Company.

Why you might vote against the Capital Returns

The Directors unanimously recommend that Shareholders vote in favour of the Capital Returns. However, some reasons why a Shareholder may choose to vote against the Resolutions approving the Capital Returns include the following:

(a) a Shareholder may consider that the Company is more likely to generate a better financial return through reinvestment of funds realised on maturity of Bonds than through direct investment by the Shareholder;

(b) Shareholders who are not Australian residents for tax purposes may not be able to take advantage of the franking credits to be provided by way of dividend or the benefit in the reduction in the CGT cost base resulting from a Capital Return;

Recommendation of Directors

The Directors are of the opinion that the proposed Capital Returns are fair and reasonable to Shareholders as a whole and do not materially prejudice the Company's ability to pay its creditors. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolutions 3 and 4.

No Director will receive any payment or benefit of any kind as a consequence of the Capital Returns other than as a Shareholder of the Company.

Other material information

Other than in this Explanatory Memorandum, there is no other information known to the Company that is material to the decision whether or not to vote in favour of Resolutions 3 and 4 which has not previously been disclosed to Shareholders.

Pursuant to Section 256C(5) of the Corporations Act, copies of this Notice and Explanatory Memorandum have been lodged with the Australian Securities and Investments Commission.

Glossary

Board means the board of Directors of the Company.

Bonds means the corporate bonds held in the Company's portfolio.

Capital Return means a return of capital to be undertaken by the Company following passage of Resolutions 3 and 4.

Company means Australian Masters Corporate Bond Fund No 3 Limited (ACN 134 738 524).

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum to the Notice.

Fourth Record Date means 6 December 2011.

Information Memorandum means the information memorandum for the Company dated 13 May 2010.

Meeting means this annual general meeting.

Notice means this notice of meeting.

Prospectus means the prospectus for the Company dated 9 February 2009.

Final Record Date means 15 December 2011.

Share means an ordinary share in the capital of the Company.

Shareholder means a holder of a Share.